# Bursa Malaysia (BURSA MK)

Momentum Building – Upgrade to BUY

| | **BUY** (Upgraded) |
|---|---|
| Share Price | RM8.20 |
| Target Price | RM9.80 |
| Upside | 19.5% |

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## Highlights

- Bursa's ADV has rebounded from RM2.3b in 2Q25 to RM2.9b currently, lifting ytd ADV to RM2.5b, slightly above our 2025 estimate of RM2.4b.
- Expectations of an increasingly looser monetary policy heading into 2026 is expected to spur emerging market inflows, further supporting Bursa's ADV momentum, in our view.
- Adopting a more constructive stance on Bursa's ADV outlook, we raise our assumptions and upgrade our call to BUY with a higher target price of RM9.80 (25.5x 2026F PE) from RM7.87 following an earnings revision and a higher PE peg to reflect the anticipated ADV upcycle.

## Analysis

- **ADV momentum building up – tracking slightly above forecast.** Supported by improving market sentiment, Bursa's ADV rose sequentially to RM2.57b in 3Q25 (from RM2.29 b in 2Q25) and strengthened further to RM2.94b month-to-date in October. This lifts ytd ADV to RM2.5b, slightly ahead of our RM2.4b full-year forecast.
- **Narrative for an increasing risk on environment gaining traction.** Jerome Powell's recent indication that the Fed's balance sheet runoff is approaching its conclusion, coupled with his openness to further rate cuts, underscores a gradual pivot toward a more accommodative policy stance. This would effectively mark the end of the current quantitative tightening cycle initiated in Jun 22 and reinforces an increasingly "risk-on" investment thesis. Historically, such policy inflection points have catalysed stronger foreign portfolio inflows into emerging market currencies and risk assets.
- **Bursa in a sweet spot to benefit from potential foreign inflows.** Given the above, and coupled with Bursa's laggard performance and stable earnings outlook, we believe its ADV could benefit from the resumption of stronger foreign net equity inflows. Notably, during May-Aug 24, when net foreign inflows totalled RM5.7b, Bursa's ADV averaged RM3.8b, with its share price peaking at RM9.80 at end-Jul 24.
- **Ample domestic liquidity provides a floor**. Despite the current lacklustre foreign interest, with net foreign outflows of RM5.5b over the past 4.5 months, Bursa's ADV has continued to improve sequentially during this period, supported by resilient domestic liquidity while benefitting from market volatility.
- **Raising ADV assumptions.** As we turn more constructive on Bursa's ADV outlook heading into 2026, and factoring in stronger-than-expected prevailing ADV, we revise our 2025/26/27 ADV forecasts upward from RM2.4b, RM2.5b, and RM2.6b to RM2.5b, RM3.0b, and RM2.8b respectively.

### Key Financials

| Year to 31 Dec (RMm) | 2023 | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Net turnover | 616 | 784 | 737 | 808 | 812 |
| EBITDA | 355 | 446 | 385 | 448 | 443 |
| Operating profit | 322 | 411 | 348 | 410 | 404 |
| Net profit (rep./act.) | 252 | 310 | 265 | 312 | 308 |
| Net profit (adj.) | 252 | 310 | 265 | 312 | 308 |
| EPS | 31.2 | 38.4 | 32.7 | 38.5 | 38.1 |
| PE | 26.3 | 21.4 | 25.0 | 21.3 | 21.5 |
| P/B | 8.1 | 7.6 | 7.5 | 7.4 | 7.2 |
| EV/EBITDA | 10.3 | 8.1 | 9.3 | 7.9 | 7.9 |
| Dividend yield | 3.5 | 5.4 | 3.8 | 4.5 | 4.4 |
| Net margin | 40.9 | 39.5 | 35.9 | 38.6 | 37.9 |
| Net debt/(cash) to equity | (69.9) | (74.5) | (76.0) | (78.2) | (80.7) |
| Interest cover | n.a. | n.a. | n.a. | n.a. | n.a. |
| ROE | 31.4 | 36.6 | 30.1 | 34.9 | 34.0 |
| Consensus net profit | | | 295.9 | 306.0 | 316.5 |
| UOBKH/Consensus (x) | | | 0.89 | 1.02 | 0.97 |

*Source: Bursa, Bloomberg, UOB Kay Hian*

### Stock Data

| | |
|---|---|
| **GICS Sector** | Financials |
| Bloomberg ticker | BURSA MK |
| Shares issued (m) | 809.3 |
| Market cap (RMm) | 6,636.3 |
| Market cap (US$m) | 1,568.9 |
| 3-mth avg daily t'over (US$m) | 2.5 |

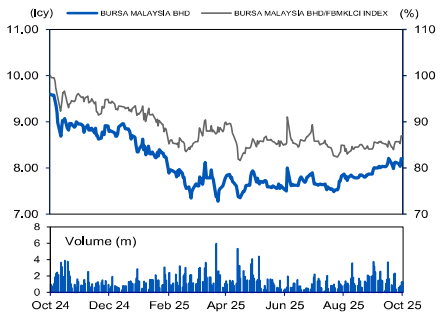
### Price Performance (%)

| **52-week high/low** | | | | **RM7.68/RM4.96** |
|---|---|---|---|---|
| **1mth** | **3mth** | **6mth** | **1yr** | **YTD** |
| 2.9 | 4.4 | 5.8 | (14.6) | (7.9) |

### Major Shareholders

| | % |
|---|---|
| Capital Market Development Fund | 18.6 |
| Kumpulan Wang Persaraan | 11.3 |
| EPF | 11.1 |

### Price Chart




*Source: Bloomberg*

### Company Description

Bursa is a fully integrated stock exchange offering a wide range of exchange-related services. It also offers information services related to the Malaysian securities market.

## Valuation/Recommendation

- **Upgrade to BUY with a higher target price of RM9.80 (25.5x 2026F PE)** from RM7.87, reflecting earnings adjustments and a higher PE multiple of 25.5x (+0.5SD) vs 23.0x (mean) to capture the early stages of a potential ADV upcycle. We expect equity market sentiment to strengthen into 2026, supported by a more accommodative monetary policy, easing inflationary pressures, and a resilient macroeconomic outlook. This should foster a "risk-on" environment, benefiting emerging market equities and driving stronger ADV momentum for Bursa.
- **2026 ADV forecast of RM3.0b conservative compared with previous two upcycles, warranting above-mean PE peg.** Our slightly above-mean PE peg reflects the potential for ADV to exceed our RM3.0b forecast in the anticipated 2026 upcycle, noting that ADV ranged between RM3.15b and RM4.20b during the previous two upcycles (2024 and 2020).
- **Peak PE valuations during previous upcycles range from +0.5SD to +2.0SD.** Over the past 20 years, Bursa's PE valuations have typically peaked within a range of +0.5SD to +2.0SD during ADV upcycles. Assuming a mid-range peak of +1.0SD above the mean, this implies a potential stretched target price of RM10.78.

## Earnings Revision/Risk

- **Raising earnings.** Ascribing a higher ADV assumption we raise our 2025/2026/2027 earnings by 4%/12%/7% respectively.
- **Risks.** Re-escalation of US–China trade tensions could trigger a shift away from risk assets, including emerging market equities, leading to lower-than-expected ADV.

## Share Price Catalyst

- Stronger than expected ADV.
- Stronger than expected derivative contract volumes.

**Bursa Historical Market Velocity, Adv And Market Capitalisation**
**Bursa ADV and Market Velocity trend**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 9M2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KLCI Market Cap (RMb) | 1,651 | 1,695 | 1,667 | 1,907 | 1,700 | 1,712 | 1,817 | 1,789 | 1,736 | 1,796 | 2,081 | 1,950 |
| ADV (RMb) | 2.0 | 2.0 | 1.8 | 2.3 | 2.4 | 1.9 | 4.2 | 3.7 | 2.1 | 2.1 | 3.1 | 2.6 |
| Market velocity | 30% | 30% | 27% | 32% | 32% | 28% | 64% | 49% | 30% | 29% | 40% | 32% |

*Source: UOB Kay Hian, Bursa*

## Environment, Social, Governance (ESG) Updates

### Environmental

- **Carbon neutrality and zero greenhouse gas emission targets.** Set a target to achieve carbon neutrality by 2022 and zero greenhouse gas emission by 2050.

### Social

- **Gender diversity.** Maintained 42% females in senior management.
- **Diversity, Equity and Inclusion (DEI).** Established a DEI Policy in 2021 to ensure that the organisation is steered by a diverse group of employees in terms of age, ethnicity and gender.

### Governance

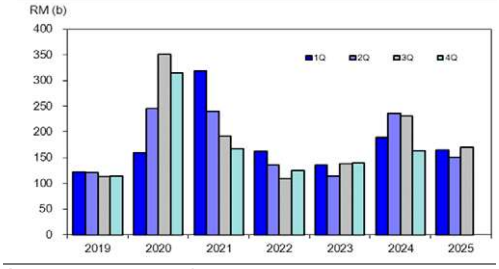
- **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 90%.

**Assumptions**

| | 2025F | 2026F | 2027F |
|---|---|---|---|
| Average Daily Value of Equities (RMb) | 2.50 | 3.00 | 2.80 |
| Futures Contract (m) | 18.3 | 18.9 | 19.4 |
| Dividend payout ratio (%) | 95.0 | 95.0 | 95.0 |

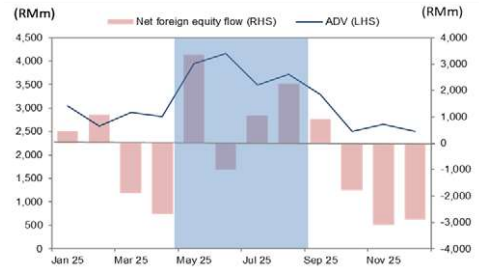
*Source: Bloomberg, UOB Kay Hian*

**Bursa Quarterly Value Traded**



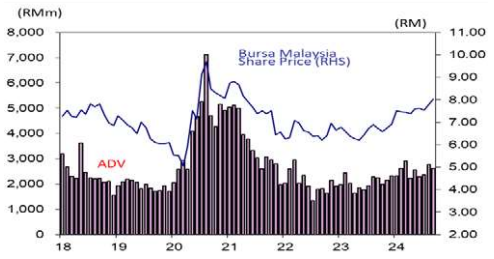

*Source: Bursa Malaysia, UOB Kay Hian*

**BURSA ADV Spikes Upwards During Periods Of Strong Net Foreign Inflows**




*Source: Bloomberg*

**BURSA ADV Vs Share Price**




*Source: Bloomberg*

**BURSA 2025 ADV Forecast**

| | 2026F Average |
|---|---|
| Overall Market Capitalisation (RMb) | 2,000 |
| Market Velocity | 37% |
| Total Value Traded (Market Velocity x Market Cap) (RMb) | 740 |
| Number of Trading Days | 247 |
| 2025 estimated ADV (RMb) | 3.00 |

*Source: Bloomberg, UOB Kay Hian*

**BURSA PE Band**

*Source: Bloomberg*

## Profit & Loss

| Year to 31 Dec (RMm) | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **Net turnover** | **784.3** | **736.8** | **808.1** | **812.2** |
| EBITDA | 446.3 | 384.8 | 447.6 | 443.0 |
| Deprec. & amort. | 35.4 | 36.5 | 37.6 | 38.7 |
| EBIT | 410.9 | 348.3 | 410.0 | 404.3 |
| Net interest income/(expense) | (0.5) | 0.0 | 0.0 | 0.0 |
| **Pre-tax profit** | **410.4** | **348.3** | **410.0** | **404.3** |
| Tax | (101.7) | (83.6) | (98.4) | (97.0) |
| Minorities | 1.5 | 0.0 | 0.0 | 1.0 |
| **Net profit** | **310.1** | **264.7** | **311.6** | **308.2** |
| Net profit (adj.) | 310.1 | 264.7 | 311.6 | 308.2 |

## Balance Sheet

| Year to 31 Dec (RMm) | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| Fixed assets | 245.1 | 277.1 | 309.1 | 341.1 |
| Other LT assets | 143.3 | 142.4 | 154.4 | 166.4 |
| Cash/ST investment | 658.6 | 681.2 | 711.7 | 746.0 |
| Other current assets | 3,308.4 | 3,172.9 | 3,193.7 | 2,869.1 |
| **Total assets** | **4,355.4** | **4,273.5** | **4,368.9** | **4,122.6** |
| ST debt | 0.5 | 0.0 | 0.0 | 0.0 |
| Other current liabilities | 3,451.5 | 3,324.9 | 3,371.3 | 3,076.5 |
| LT debt | 7.4 | 7.4 | 7.4 | 7.4 |
| Other LT liabilities | 19.7 | 52.1 | 87.2 | 122.4 |
| Shareholders' equity | 873.8 | 886.7 | 900.5 | 914.9 |
| Minority interest | 2.5 | 2.5 | 2.5 | 1.5 |
| **Total liabilities & equity** | **4,355.4** | **4,273.5** | **4,368.9** | **4,122.6** |

## Cash Flow

| Year to 31 Dec (RMm) | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **Operating** | **335.7** | **342.2** | **367.5** | **379.2** |
| Pre-tax profit | 308.6 | 256.3 | 276.8 | 286.3 |
| Deprec. & amort. | 35.4 | 36.5 | 37.6 | 38.7 |
| Working capital changes | (12.7) | 17.0 | 18.0 | 19.0 |
| Non-cash items | 4.4 | 32.4 | 35.1 | 35.2 |
| **Investing** | **(76.8)** | **(80.0)** | **(79.0)** | **(78.0)** |
| Capex (maintenance) | (48.9) | (80.0) | (79.0) | (78.0) |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | (27.9) | 0.0 | 0.0 | 0.0 |
| **Financing** | **(252.8)** | **(244.0)** | **(262.9)** | **(272.9)** |
| Dividend payments | (259.0) | (243.5) | (262.9) | (272.9) |
| Issue of shares | 0.0 | 0.0 | 0.0 | 0.0 |
| Loan repayment | 0.0 | (0.5) | 0.0 | 0.0 |
| Others/interest paid | 6.1 | 0.0 | 0.0 | 0.0 |
| **Net cash inflow (outflow)** | **6.1** | **18.2** | **25.5** | **28.3** |
| **Beginning cash & cash equivalent** | **361.4** | **659.0** | **681.2** | **711.7** |
| **Ending cash & cash equivalent** | **367.5** | **677.2** | **706.7** | **740.0** |

## Key Metrics

| Year to 31 Dec (%) | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **Profitability** | | | | |
| EBITDA margin | 56.9 | 52.2 | 55.4 | 54.5 |
| Pre-tax margin | 52.4 | 47.3 | 50.7 | 49.8 |
| Net margin | 39.5 | 35.9 | 38.6 | 37.9 |
| ROA | 8.1 | 6.1 | 7.2 | 7.3 |
| ROE | 36.6 | 30.1 | 34.9 | 34.0 |
| | | | | |
| **Growth** | | | | |
| Turnover | 27.2 | (6.1) | 9.7 | 0.5 |
| EBITDA | 25.6 | (13.8) | 16.3 | (1.0) |
| Pre-tax profit | 27.7 | (15.1) | 17.7 | (1.4) |
| Net profit | 22.9 | (14.7) | 17.7 | (1.1) |
| Net profit (adj.) | 22.9 | (14.7) | 17.7 | (1.1) |
| EPS | 22.9 | (14.7) | 17.7 | (1.1) |
| | | | | |
| **Leverage** | | | | |
| Debt to total capital | 0.9 | 0.8 | 0.8 | 0.8 |
| Debt to equity | 0.9 | 0.8 | 0.8 | 0.8 |
| Net debt/(cash) to equity | (74.5) | (76.0) | (78.2) | (80.7) |
| Interest cover (x) | n.a. | n.a. | n.a. | n.a. |

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